

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6518

BILL NUMBER: SB 153

NOTE PREPARED: Jan 1, 2014

BILL AMENDED:

SUBJECT: PERF and TRF ASA Administrative Expenses.

FIRST AUTHOR: Sen. Boots

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill requires the board of trustees of the Indiana Public Retirement System (INPRS) to allocate, as determined by the rules of the board, the expenses of administration of each program within the Annuity Savings Accounts (ASA) of the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), including the Guaranteed Program (Guaranteed Fund) and each alternative investment program, to the members of PERF and TRF participating in that program.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *Summary:* The allocation of ASA program administrative costs to PERF and TRF members participating in those programs (in the form of account fees) should have a positive impact on the unfunded actuarial liability of the PERF and TRF defined benefit plans by approximately \$11 M per year.

Additional Information: Currently, there are about \$13 M in annual expenses associated with ASA accounts for PERF and TRF. With the exception of \$2 M of these costs, which are already paid out of individual ASA accounts (not including those accounts invested in the Guaranteed Fund) the remaining costs (\$11 M) are absorbed by the PERF and TRF pension (or defined benefit) funds.

Of the \$11 M of costs currently absorbed by the defined benefit funds, \$3 M are directly attributed to the Guaranteed Fund. According to the bill, fees to individual ASA member accounts invested in the Guaranteed Fund will cover these expenses.

The additional \$8 M in costs will be proportionately collected from all ASA accounts (including Guaranteed Fund accounts, as well as alternative investment accounts).

ASA administrative costs consist of management fees, record keeping fees, and administration fees.

The absorption of these costs by ASA account fees will free up resources in the defined benefit/pension funds, which would ultimately have a positive impact on the unfunded actuarial liability of the PERF and TRF pension plans.

The Guaranteed Fund is an ASA investment option that seeks to provide stability of principal for account holders. The interest rate is set by the INPRS Board of Trustees each year and is guaranteed for the fiscal year. The Guaranteed Fund's interest rate is 0.26% for FY 2014.

Currently, INPRS offers 18 different investment options for ASA account holders. Total assets for ASA accounts equal \$5.6 billion. Currently, the Guaranteed Fund assets represent 64.2% of all ASA assets.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: INPRS.

Local Agencies Affected:

Information Sources: Tony Green, INPRS, agreen@inprs.in.gov; INPRS Board of Trustees Board Meeting Exhibits, 12/13/2013.

Fiscal Analyst: Stephanie Wells, 232-9866.